



Department of Business Regulation

233 Richmond Street
Providence, RI 02903

Insurance Bulletin Number 2002-4

Small Employer Health Insurance

Requirements for Statement of Actuarial Certification Required by R.I. Gen. Laws §§ 27-50-1 *et seq.*

A. Purpose

The purpose of this Bulletin is to prescribe the form and manner and to specify the information required to be provided in the certification to be filed by each small employer carrier ("carrier") pursuant to R.I. Gen. Laws § 27-50-5(h)(2).

B. Submission of Statement of Actuarial Certification

Each carrier shall file with the Director of the Department of Business Regulation ("Director") annually, on or before March 15, an actuarial certification by an appointed actuary certifying that the carrier is in compliance with the Small Employer Health Insurance Availability Act, R.I. Gen. Laws §§ 27-50-1 *et seq.*, and that the rating methods of the carrier are actuarially sound. The certification shall be in a form and manner, and shall contain the information, specified in this Bulletin. A copy of the certification shall be retained by the carrier at its principal place of business.

C. Standard for Certification and Associated Analysis

1. The certification shall be in the form of a written report, signed by the appointed actuary, and include such additional exhibits as may be required to support the conclusions and opinions stated in the certification. It should be prepared in accordance with Actuarial Standard of Practice No. 26 of the American Academy of Actuaries, "Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans," and shall contain a statement to that effect.
2. The certification shall include, but not be limited to, the following areas of compliance:
 - a. Compliance with restrictions related to premium rates in R.I. Gen. Laws § 27-50-5; and
 - b. Compliance with provisions related to renewability of coverage in R.I. Gen. Laws § 27-50-6; and

- c. Compliance with provisions related to availability of coverage in R.I. Gen. Laws § 27-50-7; and
 - d. Compliance with provisions related to certification of creditable coverage in R.I. Gen. Laws § 27-50-8.
- 3. The certification shall identify any instances of non-compliance in any of the above areas, and the number of instances of each type of non-compliance, the nature of the lack of compliance, and the steps taken or recommended to correct non-compliance either retroactively or prospectively.
 - 4. The certification shall contain a statement describing the extent, if any, to which the appointed actuary relied upon the work of others in reaching his or her conclusions. If the appointed actuary has relied upon the work of others, a statement from the person or persons relied upon describing the accuracy and completeness of the work shall be attached.
 - 5. The appointed actuary shall maintain copies of all work papers necessary to support the conclusions reached in the certification for a minimum period of three (3) years after the due date of the certification, and be prepared to explain the work done and/or produce the work papers to the Director or his or her designee upon request.

D. Qualified Actuary

A “qualified actuary” is an individual who:

- 1. Is a member in good standing of the American Academy of Actuaries; and
- 2. Is familiar with the requirements applicable to carriers under the Small Employer Health Insurance Availability Act, R.I. Gen. Laws §§ 27-50-1 *et seq*; and
- 3. Is qualified to sign Prescribed Statements of Actuarial Opinion regarding compliance with small employer group health laws and regulations in accordance with the American Academy of Actuaries qualifications for actuaries signing such statements; and
- 4. Has not been found by the Director or his or her designee (or if so found has subsequently been reinstated as a qualified actuary), following appropriate notice and hearing to have:
 - a. Violated any provision of, or any obligation imposed by, the Insurance Law or other law in the course of his or her dealings as a qualified actuary; or
 - b. Been found guilty of fraudulent or dishonest practices; or

- c. Demonstrated his or her incompetence, lack of cooperation, or untrustworthiness to act as a qualified actuary; or
 - d. Submitted to the Director during the past five (5) years, pursuant to R.I. Gen. Laws §§ 27-50-1 *et seq.*, an actuarial opinion or memorandum that the Director rejected because it did not meet the provisions of this bulletin including standards set by the Actuarial Standards Board; or
 - e. Resigned or been removed as an actuary within the past five (5) years as a result of actions or omissions indicated in any adverse report on examination or as a result of failure to adhere to generally acceptable actuarial standards; and
5. Has not failed to notify the Director of any action taken by any Insurance Commissioner of any other state similar to that under Paragraph 4 above.

E. Appointed Actuary

An “appointed actuary” is a qualified actuary who is appointed or retained to prepare the Statement of Actuarial Opinion required by R.I. Gen. Laws § 27-50-5(h), either directly by or by the authority of the board of directors through an executive officer of the carrier. The carrier shall give the Director not less than thirty (30) days’ written notice of the name, title (and, in the case of a consulting actuary, the name of the firm) and manner of appointment or retention of each person appointed or retained by the carrier as an appointed actuary and shall state in such notice that the person meets the requirements set forth in Section C, above. Once notice is furnished, no further notice is required with respect to this person, provided that the carrier shall give the Director not less than thirty (30) days’ written notice in the event the actuary ceases to be appointed or retained as an appointed actuary or to meet the requirements set forth in Section B, above. If any person appointed or retained as an appointed actuary replaces a previously appointed actuary, the notice shall so state and give the reasons for replacement and that the replacement actuary meets the requirements hereof.

Marilyn Shannon McConaghy, Director
February 1, 2002